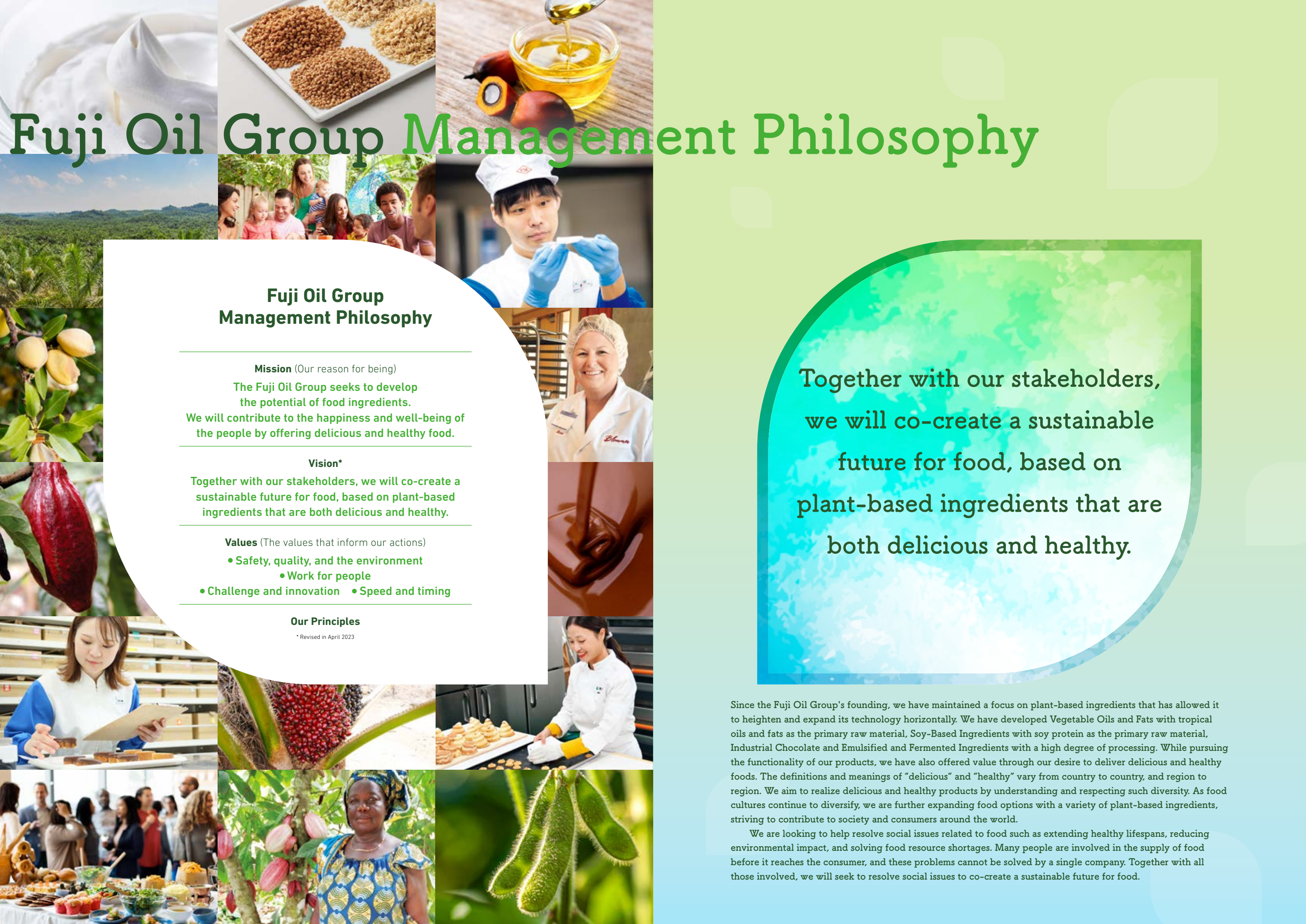


Integrated Report

F U J I O I L G R O U P

2023



Fuji Oil Group Management Philosophy

Fuji Oil Group Management Philosophy

Mission (Our reason for being)

The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering delicious and healthy food.

Vision*

Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy.

Values (The values that inform our actions)

- Safety, quality, and the environment
- Work for people
- Challenge and innovation
- Speed and timing

Our Principles

* Revised in April 2023

Together with our stakeholders,
we will co-create a sustainable
future for food, based on
plant-based ingredients that are
both delicious and healthy.

Since the Fuji Oil Group's founding, we have maintained a focus on plant-based ingredients that has allowed it to heighten and expand its technology horizontally. We have developed Vegetable Oils and Fats with tropical oils and fats as the primary raw material, Soy-Based Ingredients with soy protein as the primary raw material, Industrial Chocolate and Emulsified and Fermented Ingredients with a high degree of processing. While pursuing the functionality of our products, we have also offered value through our desire to deliver delicious and healthy foods. The definitions and meanings of "delicious" and "healthy" vary from country to country, and region to region. We aim to realize delicious and healthy products by understanding and respecting such diversity. As food cultures continue to diversify, we are further expanding food options with a variety of plant-based ingredients, striving to contribute to society and consumers around the world.

We are looking to help resolve social issues related to food such as extending healthy lifespans, reducing environmental impact, and solving food resource shortages. Many people are involved in the supply of food before it reaches the consumer, and these problems cannot be solved by a single company. Together with all those involved, we will seek to resolve social issues to co-create a sustainable future for food.

Editorial Policy

■ The Fuji Oil Group publishes the Integrated Report and the Sustainability Report annually as tools for communicating with our stakeholders.

The Integrated Report provides a general overview of our Group business and outlines our medium- to long-term strategies. By communicating this information, we hope to encourage our stakeholders to continue engaging with us in enhancing our corporate value. On the other hand, the Sustainability Report complements the sustainability information in the Integrated Report and aims to comprehensively and honestly report our approach and initiatives to address the Group's impact on sustainability to a broad range of stakeholders.

■ *Integrated Report 2023* was prepared in accordance with the following editorial policy:

- ① Report in a transparent manner on the Group's measures for strengthening its business by incorporating the views of stakeholders obtained through discussions, as well as on issues and matters that may be construed negatively by readers
- ② Provide information to investors and our wide range of other stakeholders within and outside the Group to enhance their awareness of the Group's business model and value creation story over the short, medium, and long terms
- ③ Deepen discussions that contribute to management improvement through the production process

● **Reference Guidelines**

The International Integrated Reporting Framework issued by the IFRS Foundation
"Guidance for Collaborative Value Creation 2.0," Ministry of Economy, Trade and Industry

● **Scope of Coverage**

Activities of the Fuji Oil Group

Major Group Companies → P111

● **Company Names**

Company names are presented as follows: Fuji Oil Holdings; FUJI OIL HOLDINGS INC. (holding company), FUJI OIL CO., LTD.; Regional headquarters in Japan; the Fuji Oil Group/the Group; All Group companies in Japan and outside of Japan, including FUJI OIL HOLDINGS INC.

● **Period Covered**

Fiscal 2022 (April 1, 2022–March 31, 2023)
Details of some prior and more recent activities and initiatives are also included.

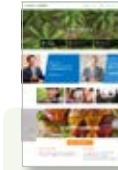
● **Forward-Looking Statements**

Forward-looking statements such as earnings forecasts of the Fuji Oil Group and other projections contained in this report reflect the Group's current analysis based on information available at the time of publication. Please be aware that actual results may differ from these forward-looking statements due to various factors such as economic trends and the environment surrounding the Group.



The performance data over the long term is provided as a separate edition of the integrated report.

Fact Book 2023
→ https://www.fujioilholdings.com/ir/library/fact_book/



The Group's approach and initiatives concerning impacts on the sustainability of society are reported in a honest and comprehensive manner.

Sustainability Report 2023 (scheduled to be issued in October 2023)
→ <https://www.fujioilholdings.com/en/sustainability/>

Point

Points of Focus of *Integrated Report 2023*

In May 2022, the Fuji Oil Group announced its current mid-term management plan, Reborn 2024 (fiscal 2022 to fiscal 2024). In April 2023, we revised the Vision of the Fuji Oil Group Management Philosophy. We edited the *Integrated Report 2023* to focus on the following three points with the objective of demonstrating our progress on policies related to achieving the mid-term management plan and groupwide initiatives towards realizing our Group Vision.

1. The first point is to present our value creation story, which details how the sustainability initiatives of the Group and those of society are aligned. Sustainability initiatives along our value chain thus far have been related to controlling business risks. However, revising the Vision of the Fuji Oil Group Management Philosophy led to clarification on the type of value creation we can achieve through creating opportunities and leveraging our competitive advantages. In the section The Fuji Oil Group's Value Creation, we introduce the activities we are promoting to seize business opportunities through the utilization of ESG materiality. In the Strategy and Performance section, we introduce specific initiatives related to value creation.
 2. The second point is to convey our progress under the mid-term management plan. Amid dramatic changes in industry structure and the operating environment, we believe it is necessary to provide detailed information in the Integrated Report to communicate the initiatives and progress of the Fuji Oil Group's mid-term management plan, which is formulated to promote sustainable medium- to long-term improvements in corporate value.
 3. The third point is to discuss our co-creation with stakeholders. The process of delivering food to the tables of consumers involves complex supply chains and a great many stakeholders. Through the Integrated Report, we include messages from our sustainable procurement partners, customers, and employees to convey the perspectives and passion of our various stakeholders.
- Through *Integrated Report 2023*, we hope to provide greater understanding of our value creation story over the short-, medium-, and long-terms.

IR team

Contents

4

Introduction

- 4 Fuji Oil Group at a Glance
- 6 Fuji Oil Group Business
- 8 Fuji Oil Group: History of Its Origin and Progress
- 10 Fuji Oil Group: Management Milestones
- 12 Fuji Oil Group Diverse Food Cultures
- 14 **CEO Message**

20

The Fuji Oil Group's Value Creation

- 20 The Fuji Oil Group's Value Creation
- 24 Achieving our Vision through Co-Creation with Employees
- 26 Sustainability Management
- 29 Risk Management

32

Strategy and Performance

- | | |
|---|---|
| 32 Mid-Term Management Plan Progress of Reborn 2024 | 60 New Business Field |
| 34 Message from the CFO | 62 Japan, Southeast Asia, China |
| 35 Financial Strategy | 64 Human Resource to Support Value Creation |
| 40 Data Highlights | 72 DX |
| 44 Business Overview | 74 Production Activities |
| 46 Message from the CSO | 76 Message from the CTO |
| 47 Business Strategy | 77 R&D |
| 50 Vegetable Oils and Fats Business | 81 Sustainable Procurement |
| 52 Industrial Chocolate Business | 86 Biodiversity |
| 56 Emulsified and Fermented Ingredients Business | 87 Human Rights |
| 58 Soy-Based Ingredients Business | 88 Environment Initiatives |

92

Governance

- 92 Corporate Governance
- 98 **Messages from Outside Directors**
- 103 **Messages from the Audit and Supervisory Committee Members**
- 106 Group Governance
- 108 Directors and Executive Officers

- | | |
|---|---|
| 110 External Recognition (Abridged) | 112 Regarding the Issuance of <i>Integrated Report 2023</i> |
| 111 IR Activity Results / Major Group Companies | 113 Corporate Profile / Stock Information |

Our Business

Fuji Oil Group

Businesses

We support a diverse food culture with plant-based ingredients. We pursue originality with our business portfolio, which comprises the Vegetable Oils and Fats Business, the Industrial Chocolate Business, the Emulsified and Fermented Ingredients Business, and the Soy-Based Ingredients Business. Through these businesses, we offer niche products with high market shares.

Our Sustainability

Fuji Oil Group

Sustainability

We aim to realize a sustainable future for food and improve the corporate value of the Fuji Oil Group by creating social value through the provision of solutions that meet the expectations of all stakeholders based on a clear grasp of social issues in the value chain, including environmental issues, human rights, and mental and physical health.

Expansion of Four Businesses

Net Sales ¥**557.4** billion

Operating Profit ¥**10.9** billion

* FY2022 results

High Market Shares in Diverse Markets

Vegetable Fats for Chocolate (CBE) World's top **3**

Industrial Chocolate No. **3** worldwide, No. **1** in Japan

Soy Protein Ingredients No. **1** in Japan

* Company estimates

Building a Sustainable Food Value Chain

Traceability of Main Raw Materials Palm oil TTM*¹ **100%**, TTP*² **93%**

Note: FY2022 results

*¹ TTM: Traceability to mill

*² TTP: Traceability to plantation

Expanding Food Options for Consumer

We are developing various genres and menus of delicious plant-based food products that consider the health of people and the earth.



Environmental Initiatives

Environmental Vision 2030 CO₂ emissions **26%** reduction*

Note: FY2022 results * Scope 1 + Scope 2 / Base year: 2016 for all consolidated subsidiaries

CDP Investor Questionnaires 2022

- "A" rating from CDP in 2022 for water security and forests, and "A-" rating for climate change (December, 2022)
- Selected as a Supplier Engagement Leader (February, 2023)



Fuji Oil Group at a Glance

Based on the spirit of the Fuji Oil Group Management Philosophy, we hold the vision: Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy. Accordingly, the Group aims to contribute to realizing a sustainable society by promoting sustainability management and enhancing co-creation with stakeholders.

Our Technologies

Fuji Oil Group

Research and Development

Since our founding, we have leveraged our proprietary technologies, pursued the potential of plant-based food ingredients, and created diverse products. We aim to develop sustainable plant-based ingredients based on deliciousness and healthiness by integrating technologies cultivated in our four businesses: the Vegetable Oils and Fats Business, the Industrial Chocolate Business, the Emulsified and Fermented Ingredients Business, and the Soy-Based Ingredients Business.

Pursuing Originality and Cultivating Technological Capabilities

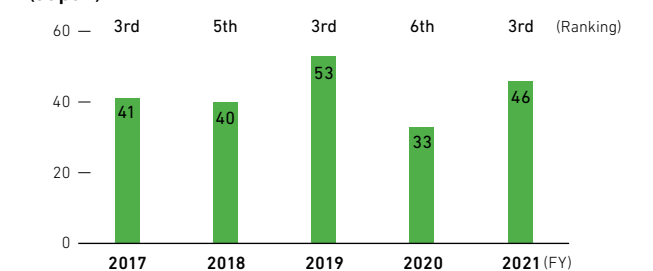
Number of patent applications* In Japan: **3,954**

..... Outside of Japan: **3,294**

Note: Cumulative totals of All Fuji oil Group companies

* As of March 31, 2023

Number of Registered Patents in the Field of Food Chemistry (Japan)



■ Number of registered patents (left scale)

Note: Patents of FUJI OIL CO., LTD.

* Ranking in the field of food chemistry by the Japan Patent Office (see Japan Patent Office Annual Report)

Our Global Expansion

Fuji Oil Group

Global Expansion

We first entered Southeast Asia in the 1970s and have since expanded our business overseas network into the Americas, Europe, and China. In diverse food markets with different regional preferences, we are developing products that meet the various needs of each market.

Total of 39 Companies*¹ Operating in 14 Countries and Regions

● Japan	Net Sales* ² ¥ 189.6 billion	● Southeast Asia	Net Sales* ² ¥ 65.1 billion	● Europe	Net Sales* ² ¥ 40.9 billion
	Number of Employees* ² 1,703		Number of Employees* ² 1,171		Number of Employees* ² 221
● Americas	Net Sales* ² ¥ 232.5 billion	● China	Net Sales* ² ¥ 29.3 billion		
	Number of Employees* ² 1,856		Number of Employees* ² 848		

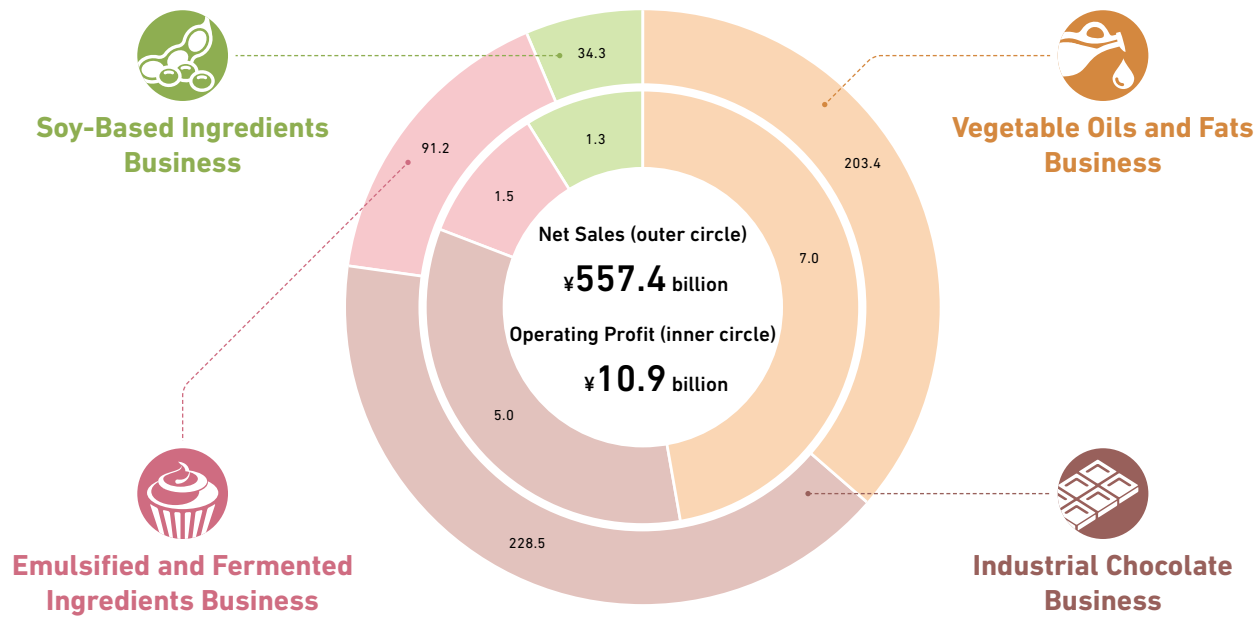
*¹ Number of consolidated subsidiaries as of March 31, 2023

*² Net Sales: FY2022 results

Number of Employees: Number of employees of FUJI OIL HOLDINGS INC. and consolidated subsidiaries as of March 31, 2023 (excluding temporary employees)

Fuji Oil Group Business

The Fuji Oil Group operates in 14 countries and regions with its operations focused on four businesses: Vegetable Oils and Fats, Industrial Chocolate, Emulsified and Fermented Ingredients, and Soy-Based Ingredients. We have provided food solutions by our R&D capability enabled to drawing out the potential of plant-based ingredients, our production technology and unique business portfolio cultivated over a more than 70-year history. We will adapt to global food market change and diversification as we continue to provide value to our customers and consumers.



Point

Formulating a Unique Business Portfolio Based on Our Core Technology

The Fuji Oil Group has developed proprietary separation technology for raw materials such as palm, cocoa, and soybeans and offers ingredients featuring various properties and functions. We also create new ingredients featuring special functionality by applying proprietary recombination technology to blend and process these unique ingredients and other food ingredients. These processes may appear complex, but we have established a framework rooted in our Vegetable Oils and Fats Business that enables effective utilization of product ingredients within the scope of our unique business portfolio.

Also, by combining the technologies cultivated in each of our four businesses, we have established unique core technology for achieving delicious taste that enables us to provide surprisingly delicious foods using only plant-based ingredients.

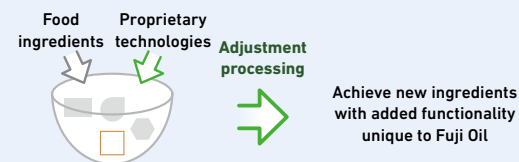
Separation Technology (Fractionation / Segregation)

Natural oils and fats are composed of multiple oils and fats components. We obtain unique materials by separating and extracting oil and fat ingredients with differing melting points and properties.



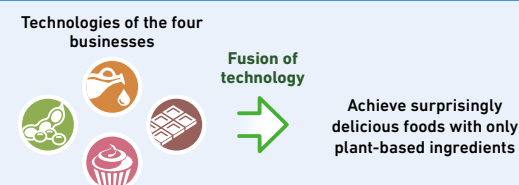
Recombination Technology (Adjustment Processing)

We combine separated ingredients with our proprietary technology and other food ingredients, and then adjust and process to refine properties and flavors, creating new food ingredients that fulfill various demands.

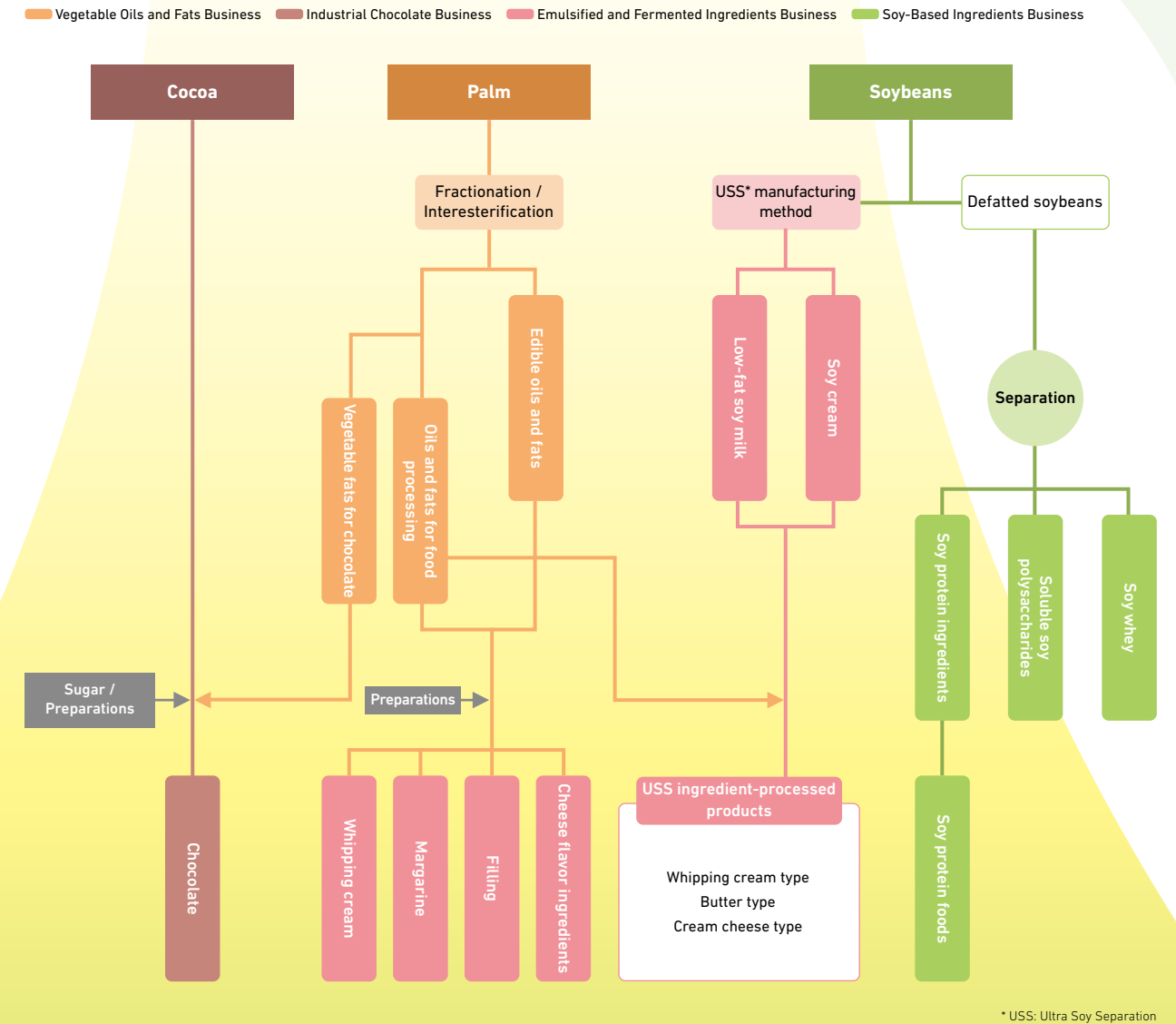


Fusion of technology

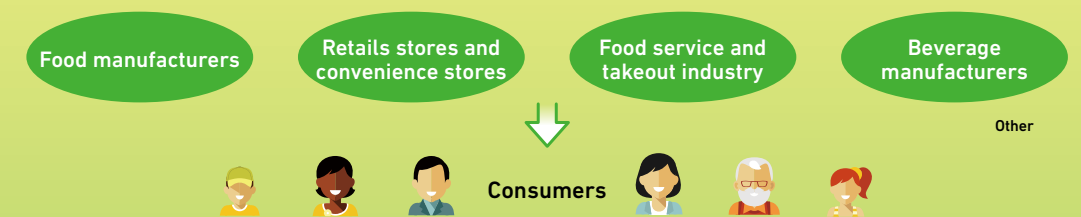
We combine the technologies cultivated in each business, including technology related to vegetable oils and fats, plant proteins, and emulsification and fermentation, to create surprisingly delicious foods using only plant-based ingredients.



Developing Four Businesses Based on Palm, Cocoa, and Soybeans as Main Raw Materials



To Customers and Consumers



Creating Further Value in Response to Social Transformation

The Fuji Oil Group's Value Creation → P20

Our Constant Creation of Value

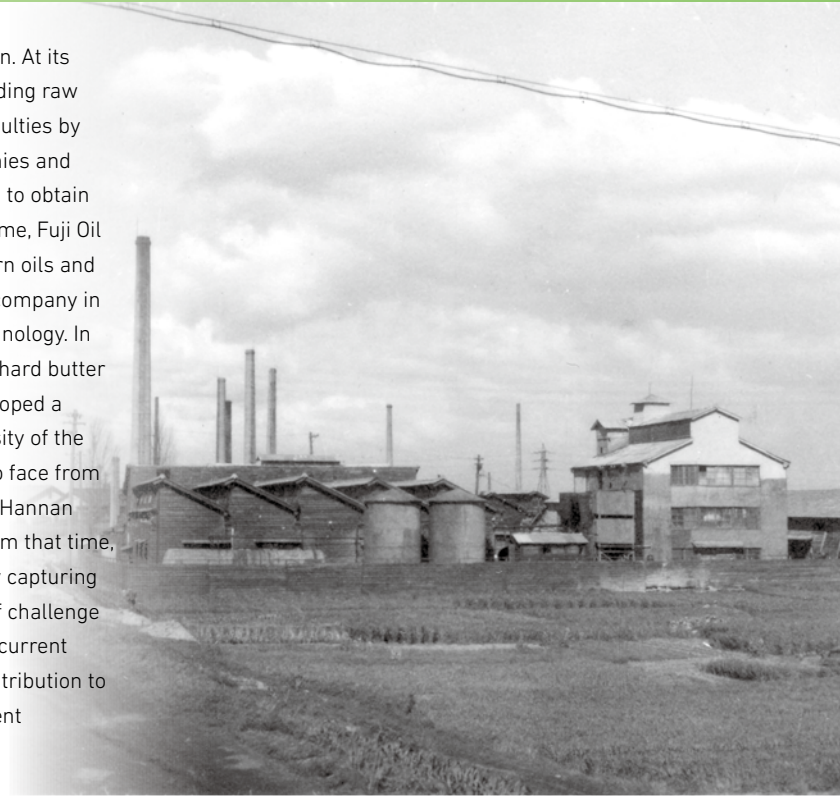


Our Value Going Forward



History of Challenge and Innovation That Began by Setting Our Sights on Tropical Oils and Fats

Fuji Oil was the last entrant in the oil refining industry in Japan. At its founding, Fuji Oil was forced to make difficult decisions regarding raw material procurement and financing. We overcame such difficulties by developing products that distinguished us from other companies and assembling a unique business portfolio. As it was challenging to obtain soybeans and other primary oils and fats ingredients at the time, Fuji Oil established technological capabilities for utilizing southeastern oils and fats such as coconut and palm. In 1951, we became the first company in Japan to extract oil from copra using pressure extraction technology. In 1955, we also became the first company in Japan to produce hard butter from the crushing of palm kernels. In the 1960s, Fuji Oil developed a range of defatted soybean products, contributing to the diversity of the Japanese diet. Despite the financial struggles we continued to face from the time of our founding, in 1967 we decided to construct the Hannan Plant at a cost of ¥5.5 billion (final cost about ¥8.0 billion). From that time, the Fuji Oil Group has achieved steady growth by successfully capturing demand during periods of high economic growth. The spirit of challenge and innovation seen in our history has been carried on in the current Fuji Oil Group Management Philosophy and in the spirit of contribution to customers, which was incorporated into our Basic Management Principles established in 1960.



Co-Creation with Customers Bringing Together Development, Production, and Sales



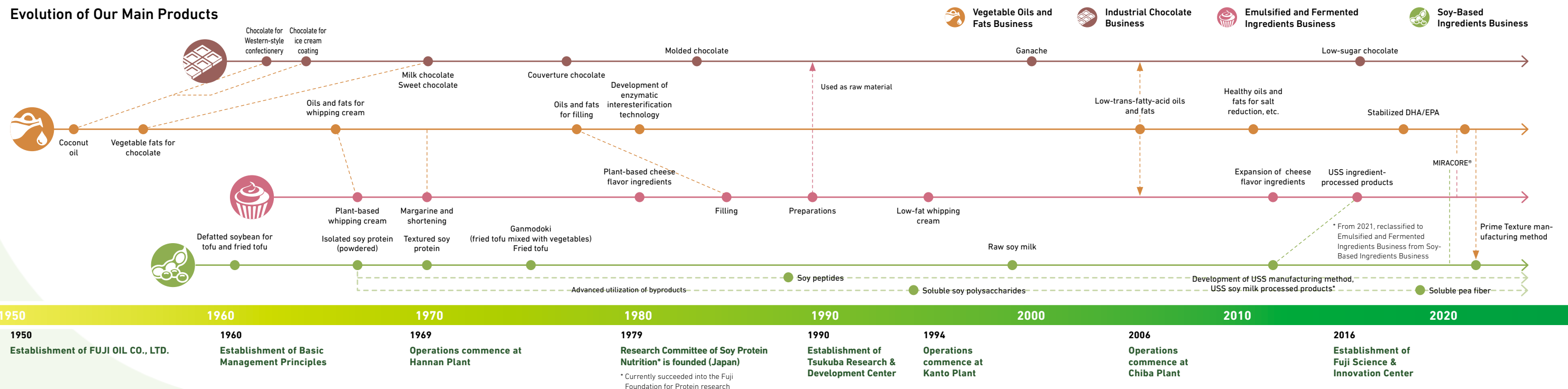
In 1970s Japan, Fuji Oil worked to expand its business, playing a supporting role in Japan's food industry, by catering to the requirements of customers and tapping into latent demand through a coordinated approach to development, production, and sales. By establishing a system to provide a variety of products such as oils and fats, chocolate, whipping cream, soybeans, and soy protein in an appropriate and timely manner with a thorough focus on food safety and quality, the Company has succeeded in securing stable demand as a B2B ingredient manufacturer. As well as responding to customer requirements, we have taken steps to build a system to develop materials and provide solutions to meet changing customer needs, such as by opening FUJISUNNY PLAZA sites and the Tsukuba Research and Development Center, where we co-create with customers based on our oils and fats and soy protein technologies. In addition to meeting the requirements of food manufacturers, which have been our longstanding customers, we are contributing to food culture while increasing food diversification by promoting co-creation with convenience stores, the food service sector, and beverage manufacturers. Behind the overwhelming presence Fuji Oil has built in Japan is the unique position it has established through co-creation with customers, in which development, production, and sales have worked in unison.

Fuji Oil Group:

History of Its Origin and Progress

Since its founding, Fuji Oil has continued to develop its own unique way, with tropical oils and fats and soy protein ingredients at the core of its business. With an attitude of striving for challenge and innovation, without imitating others, we have created many technologies and materials that are firsts in Japan and the world, contributing to the happiness and well-being of the people by offering delicious and healthy food.

Evolution of Our Main Products



Expanding Business Areas and Business Portfolio

In addition to business expansion in Japan, Fuji Oil expanded its business globally and, in 2015, transitioned to a holding company structure. Through M&As in Brazil and the United States, the Fuji Oil Group became the world's third-largest manufacturer of industrial chocolate.



Blommer Chocolate Company



FUJI VEGETABLE OIL, INC.

Expansion of Global Business Sites

- 1981** Establishment of FUJI OIL (SINGAPORE) PTE. LTD. in Singapore
- 1987** Establishment of FUJI VEGETABLE OIL, INC. in the United States
- 1992** Establishment of FUJI OIL EUROPE in Belgium
- 1995** Establishment of FUJI OIL (ZHANG JIA GANG) CO., LTD. in China

Acceleration of M&A

- 2015** HARALD INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA (Brazil)
- 2016** GCB SPECIALTY CHOCOLATES (Malaysia)*
- 2018** INDUSTRIAL FOOD SERVICES PTY. LIMITED (Australia)
- 2019** Blommer Chocolate Company (United States)

* Currently FUJI GLOBAL CHOCOLATE (M) SDN. BHD.

Promoting Sustainable Raw Material Procurement and Sustainability Management

We are promoting sustainability initiatives to enhance the sustainability of the Fuji Oil Group and realize a sustainable society.

Sustainability Initiatives

- Promotion of sustainable procurement of palm oil, cocoa, soybeans, and shea kernels
- Establishment of Environmental Vision 2030
- Establishment of Fuji Oil Group Policy on Biodiversity

Main Raw Materials



Palm oil



Cocoa



Soybeans



Shea kernels

Endorsement and Participation in External Initiatives

- 2004** Roundtable on Sustainable Palm Oil (RSPO)
- 2012** World Cocoa Foundation (WCF)
- 2013** UN Global Compact (UNGC)
- 2019** Task Force on Climate-related Financial Disclosures (TCFD)
- 2020** Round Table on Responsible Soy (RTRS)
Emissions reduction targets approved by the Science Based Targets initiative (SBTi)
- 2021** Japan Business Initiative for Biodiversity (JBIB)

Fuji Oil Group:

Management Milestones

We have continued to evolve to lay the foundations of management to meet the diverse challenges of the changing business environment. We will continue to be reborn as a corporate group to realize our Vision.

Vision

Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy.

Establishing Advanced Technologies to Help Resolve Social Issues

In striving to provide solutions to our customers, we challenge ourselves in developing unique technologies to pursue deliciousness and healthiness and to respond to sustainability and other social issues.



Contributions to Resolving Social Issues through Unique Technologies

- | | |
|---|---|
| <ul style="list-style-type: none"> 2011 Establishment of production technology for low-trans-fat, non-tempering hard butter 2012 Development of world's first Ultra Soy Separation (USS) manufacturing method 2016 Development of stabilized DHA/EPA technology
Establishment of production technology for cheese flavor ingredients that do not contain animal-derived raw materials | <ul style="list-style-type: none"> 2021 Launch of technology brand MIRACORE® to add satisfaction for plant-based foods 2022 Launch of research project on soybeans cultivation using CO₂
Development of Prime Texture manufacturing method, new process for soy meat production
Development of palm oil substitute derived from oleaginous yeast using world-leading production method |
|---|---|

Responding to Diversifying Stakeholder Needs and Promoting Growth Strategies

In addition to promoting growth strategies, dialogue with investors, and advanced governance, we are working to enhance corporate value by deepening cooperation with various stakeholders.

Basic Policies of Mid-Term Management Plans

FY2014 – FY2016 "Renaissance Fuji 2016"

- Promotion and acceleration of global management
- Promotion and acceleration of technology management
- Promotion and acceleration of sustainability management

FY2017 – FY2020 "Towards a Further Leap 2020"

- Reinforcement of core competence
- Growth of soy business
- Development of functional, high-value-added products
- Cost reduction and unification with global standards

FY2022 – FY2024 "Reborn 2024"

- Strengthening of business foundation (restoring profitability and creating new value)
- Strengthening global management
- Enhancing sustainability (sustainability strategy aligned with management strategy)

Strengthening of Corporate Governance

- 2015** Establishment of Nomination and Compensation Advisory Committee and ESG Committee*
- 2016** Evaluation of effectiveness of Board of Directors
- 2022** Shift to company with Audit and Supervisory Committee
* Changed name of ESG Committee to Sustainability Committee in fiscal 2022

Dialogue with Stakeholders


- 2007** Publication of CSR Report*
* Renamed Sustainability Report in 2014
- 2018** Publication of Integrated Report





Integrated Report 2018


Fuji Oil Group Diverse Food Cultures

The Fuji Oil Group's products are used in a wide range of food markets that are familiar to consumers in their daily lives and serve to support diverse food cultures around the world. We will continue to expand food options with healthy and delicious plant-based ingredients to support the health of people and the earth and to contribute to a sustainable future for food.

 Vegetable Oils and Fats Business

 Industrial Chocolate Business

 Emulsified and Fermented Ingredients Business

 Soy-Based Ingredients Business

United States



Low-Sugar Chocolate

While retaining the same taste and satisfaction of conventional chocolate, our lineup of low-sugar chocolate is contributing to people's lower consumption of sugar.



Oils and Fats for Margarine

Our low-trans-fatty-acid oils and fats for margarine are made from ingredients such as palm oil and used in a wide variety of bread and pastries.

Brazil



Chocolate Filling for Sweet Pizza

By using our oil and fat blending technology, we are able to control the softness of chocolate filling, giving it both a rich flavor and a smooth texture.

Europe



Chocolate Filling for Praline

Chocolate filling with hazelnuts and almonds. We use a combination of various in-house vegetable oils and fats to prevent sugar bloom and the loss of flavor, which helps in preserving delicious taste.

Japan



Spraying Oils for Cereals

Spraying oils and fats serve to prevent moisture absorption and as a binder for flavoring agents. The high oxidation stability of spraying oils and fats helps products maintain their flavor for longer periods, enabling long-term distribution.



Whipping Cream for Cakes

Our whipping cream keeps its smooth texture for several days, which supports longer expiration dates and contributes to food loss reduction.



Chocolate

By providing chocolate products certified through our proprietary Sustainable Origins™ program, we contribute to the sustainable procurement of cocoa.



Karaage (deep-fried chicken) made from Soybean Meat

By combining oil and fat and protein processing technology to reproduce the texture, mouthfeel, and juiciness of meat, soybean meat has become a new food option.



Chocolate for Ice Cream Coating

By using technology that controls the melting points of oils and fats, we are able to achieve a wide variety of textures and a rich selection of chocolate for ice cream coating.



Functional Ingredients for Acidic Milk Drinks

By using a water-soluble dietary fiber made from soybean curd, it is possible to prevent sedimentation in milk drinks and maintain quality.



Plant-Based Soup

Plant-based soup is a broth with a satisfying taste made without using animal-based ingredients.

China



Flavored Custard Featuring Ingredients

In China, we achieved commercial production of flavored custard featuring ingredients, a product that was not well known in the country. We developed a process for sterilizing, mixing, and evenly distributing filling ingredients during the custard manufacturing process. With a rich texture, this product is gaining popularity among China's young consumers.



Functional Margarine for Bread

Functional margarine developed to maintain the delicious taste of bread prevents the deterioration of frozen dough and bread with long expiration dates.

Southeast Asia



Nutritional Oil Blends for Infant Formula

Vegetable oil blends for infant formula are specially formulated according to nutritional specifications and processed under optimum technical and hygienic conditions, with raw materials stringently sourced to meet food safety and product quality requirements.



Whipping Cream for Cakes

Whipping cream with strong shape-retention properties is ideally suited to the rich Western-style confectionery culture, including for the decoration of cakes with flowers, dragons, and other motifs.

Australia



Coating Chocolate for Cookies

Our compound coating chocolate has a rich flavor that pairs well with cookies and is widely popular.

Mikio Sakai

President
Chief Executive Officer (CEO)
FUJI OIL HOLDINGS INC.

Mid-Term Management Plan Reborn 2024 - Successes and Issues We Face in Achieving Our Targets

In April 2023, I traveled to Brazil to participate in a ceremony at Harald to mark the completion of construction of its No. 2 Plant. Harald, which joined the Fuji Oil Group in 2015, has greatly improved productivity levels through the concerted efforts of local staff and staff assigned from Japan. Chocolate filling utilizing Fuji Oil's oils and fats technology has become a local hit and is recording significant sales. We are also beginning to see the benefits of ongoing initiatives to strengthen Harald's business platform, including collaborative efforts with the holding company to support raw material position management and responses to currency market fluctuations. In fiscal 2022, the company recorded its highest-ever sales volume and achieved profitability. The faces of the Harald employees were filled with confidence and, with the launch of operations at the No. 2 Plant, I believe the company has entered a new growth phase.

Fiscal 2022 saw significant changes in our external environment, including soaring prices for palm oil and other raw materials, prolonged supply chain disruptions, inflation, and interest rate hikes. These changes combined to make a difficult operating environment for the Fuji Oil Group. Amid such conditions, Vegetable Oils and Fats Businesses in Southeast Asia recorded favorable sales in response to recent increases in demand for certified palm oil and PALMAJU EDIBLE OIL SDN. BHD in Malaysia achieved record-high profit. Also, FUJI OIL EUROPE in Belgium recorded favorable sales of chocolate filling, a highly functional product that combines multiple oils and fats. Overall, fiscal 2022 performance of FUJI OIL EUROPE exceeded initial targets, thanks to the differentiation strategies we have been implementing. In Japan, performance began to recover from the second half of fiscal 2022 as we responded to soaring raw material prices. A common theme among these Group companies is that they have promoted business transformation and established business platforms that reflect changes in their operating environments.

On the other hand, I am painfully aware that the companies failing to achieve fiscal 2022 targets had faced issues such as implementing productivity improvements and sales price revisions to reflect higher raw material prices. I also recognize that the policy of strengthening our business foundation outlined in the mid-term management plan Reborn 2024 represents the first step toward resolving such issues. In fiscal 2023, we are advancing efforts to strengthen our business foundation in order to restore core profitability. We are also working to apply a sense of urgency to implementing our growth strategy.

Business Strategy

➔ P47

Promotion of a Shift to a Portfolio Based on High-Value-Added Business

One of the three basic policies outlined in Reborn 2024 is to strengthen our business foundation. To achieve this policy, in addition to restoring the core profitability of existing businesses, we will actively raise awareness of capital efficiency. We will shift to a business portfolio focused on high-value-added products and concentrate management resources on core businesses and growth domains.

CEO Message

In particular, we recognize that Blommer Chocolate Company is our highest-priority issue, and we are focusing on restoring its profitability. In 2023, we have aggressively advanced a production structure improvement project at Blommer’s Chicago plant. At the same time, we have dispatched additional senior management level personnel from the holding company to strengthen the company’s management structure and accelerate decision-making.

In April 2023, we decided to transfer the fixed assets of Fuji Oil New Orleans, LLC, a Group production site for oils and fats in the Americas. This site began operations in 2021 in the Southern United States, where markets are expected to see increased demand for palm oil, and it was positioned as a part of our growth strategy. As a manufacturing business, the decision to transfer the fixed assets of a production site was a truly difficult one. However, after careful evaluation of multiple factors, including the changing macroeconomic environment giving rise to higher capital costs and interest rates in North America, the impact on our balance sheet and cash flow, and future earnings, we came to this decision based on our commitment to the goal outlined in our mid-term management plan of realizing the shift to a business portfolio centered on high-value-added products amid ongoing stakeholder diversity. Moving forward, I will work to reposition our business portfolio to focus on high-value-added products; however, as a food manufacturer, we must first and foremost contribute to our customers. Each business must approach this portfolio shift by formulating a growth strategy and determining and evaluating future synergies, growth, and potential. As we intensify our efforts to focus on high-value-added products, I believe FUJI VEGETABLE OIL, INC., our remaining oils and fats production site in the Americas, will become increasingly important.

Global Approach to Strengthening Business Management

Since assuming the role of CEO in 2021, I have advanced initiatives to strengthen function-axis organizations within the holding company and promote business-axis management and operations. We are beginning to see the benefits of efforts to strengthen global management, one of the three basic policies of our mid-term management plan. In fiscal 2022, we introduced raw material position management, productivity indexes management, and FUJI ROIC, all initiatives led directly by the holding company. Through these initiatives, we work to quantify businesses, visualize issues, and take a business-axis approach to management and operations.

With regard to raw material position management, the holding company has taken a central role in establishing guidelines for risk mitigation related to raw material price volatility and supported risk mitigation responses by monitoring the raw material positions of each Group company. In the past, each company promoted improvements based on individual productivity indexes. However, to promote Groupwide productivity improvements, we adopted universal productivity indexes for the entire Group. By factoring in these productivity metrics, companies will be able to identify bottlenecks and quantify their individual strengths and weaknesses. The holding company will determine resource allocation based on these metrics, which will lead to efficiency improvement initiatives. At Blommer as well, such improvement initiatives conducted in collaboration with the holding company are beginning to produce a certain level of results. As for ROIC, we adopted FUJI ROIC, which replaces invested capital with working capital and fixed assets as the denominator of the calculation formula, thereby simplifying the process of identifying coefficients for each business segment and enabling the identification of structural elements that contribute to profitability. Through an ROIC tree, we are analyzing business activities and addressing issues by setting KPIs and managing targets for each worksite. By using the ROIC tree to visualize improvement points and set KPIs, we have worked to build a highly profitable business portfolio and improved corporate value as we approach 2030.

CxOs*1 and the dedicated functions of the holding company will play a critical role in efforts to enhance business management. We are strengthening our recruitment of human resources with expertise and experience in areas such as finance and accounting, investment management, risk

management, and digital transformation (DX). We will seek to further enhance the functions of the holding company and strengthen collaboration and share each experience with Group companies.

Sustainability and Human Resource Strategies for Improving Corporate Value

To enhance sustainability, we have promoted a sustainability strategy and a human resource strategy unique to the Fuji Oil Group. Fuji Oil Group business relies on raw materials such as palm oil, cocoa, and soybeans, which are made possible because of our co-existence with nature and healthy ecosystems as well as our broad range of stakeholders. Activities that are conscious of the environment and human rights are a prerequisite to the continuity of our business and I am confident that initiatives to differentiate ourselves will lead to value for our customers and consumers.

The trend toward sustainability initiatives, which had been centered in Europe, is now spreading to the United States and Japan as well. Today, sustainability is not merely a form of risk avoidance; it is expected to lead to enhanced long-term corporate value. In fact, the sustainable procurement initiatives conducted by the Fuji Oil Group for raw materials such as palm oil are beginning to gain recognition in line with growing awareness of sustainability among consumers and customers. In fiscal 2017, RSPO certified oil represented nearly 17% of palm oil procured by Fuji Oil. This figure increased to nearly 58% in fiscal 2022 and demand continues to grow steadily. Our mid-term management plan includes non-financial targets and groupwide activities to achieve those targets are producing results. In fiscal 2022, we reduced Scope 1 and Scope 2 CO₂ emissions by a total of 26%*2 (FY2024 target: 23% reduction*2). For sustainable procurement, we achieved a TTP*3 ratio of 93% (FY2024 target: 85%). We have already surpassed the non-financial targets set for the final fiscal year of the mid-term management plan.

Through our human resource strategy, I believe it is important to foster human resources who will support sustainable growth of the Fuji Oil Group. We have some 6,000 consolidated employees, of whom nearly 70% are employees in areas outside of Japan. By implementing a human resource strategy that is linked with the Group’s business strategy, we are able to apply the strengths of each Group company in the development of diverse personnel while continuing to take on challenges and achieve innovation. I believe the human resource strategy enables further growth for the overall Group. For example, by applying the knowledge and experience we have accumulated in Japan, including world-class production efficiency, product safety and reliability, and quality management, at Group companies outside of Japan, we can elevate the level of the entire Group. At the same time, diverse employees from each company are motivated in their activities to support the sustainable growth of the Fuji Oil Group.

The resolution of the increasingly complex issues of societies around the world requires constant innovation. In turn, the achievement of such innovation requires human resources of diverse capabilities and backgrounds exerting imagination and collaborating with colleagues on a scale not seen before. The key to developing such human resources is diversity, equity, and inclusion (DE&I).

The Fuji Oil Group’s ratio of female managers is roughly 30% for all Group companies outside of Japan. In Japan, this ratio remains at about 10% and we are advancing initiatives to develop workplace environments. In addition to expanding systems that support the workstyles of employees through various life events, we are addressing the fact that we have an overall low ratio of female employees, in both management and other positions, by implementing recruiting processes to raise the number of female employees who will become future leaders in management.

To foster the development of the next generation of management personnel, we are evaluating training for candidates from across the entire Group, regardless of nationality, gender, or age. We will evaluate our vision of management personnel, conduct assessments with the participation of industry experts, and analyze the characteristics of human resources to ensure fair personnel evaluations. Through this process, we will engage in systematic human



Production Activities

⇒ P74

Financial Strategy

⇒ P35

Human Resource to Support Value Creation

⇒ P64

resource development, including clarifying the strengths and weaknesses of each individual and providing opportunities to gain experience.

*1 CxOs: Chief x Officers
*2 Base year: 2016, all consolidated subsidiaries
*3 TTP: Traceability to Plantation

Further Strengthening of the Corporate Governance Structure

To raise the effectiveness of the Board of Directors, in fiscal 2022 we decided to shift to institutional design and transitioned to a company with an Audit and Supervisory Committee. Through this structure, three parties with differing roles—internal directors, outside directors, and directors serving as Audit and Supervisory Committee members—work to strengthen management supervisory functions. The Board of Directors receives various ideas from outside directors, such as incorporating quantitative data analyses into monitoring and requesting separate deliberations for each core theme. And, of course, it is not uncommon for directors to express a difference of opinions during these deliberations. Amid such interactions, comments from Audit and Supervisory Committee members based on their expertise can lead to new realizations that further stimulate discussions. With the establishment of an environment in which directors provide opinions from different perspectives and create a system of mutual checks and balances, I believe we have come closer to our ideal corporate governance structure. However, there is no end to governance reform and I want to continue to advance the evolution of our governance so that it is aligned with the times.

Strictly speaking, I believe the role of the Board of Directors is to supervise management, ascertain Groupwide risks and opportunities, and reevaluate the Company's business portfolio. Diversity in our Board of Directors is critical to ensuring our ability to deliberate issues from a broad perspective. I believe this means not only that we have diversity in terms of gender, nationality, and age, but also that our entire Board of Directors represents a diverse range of the skills required to promote Group growth. Regarding members of the Sustainability Committee, which serves as an advisory body to the Board of Directors, in addition to participation by CxOs with board voting rights, we added area representatives in fiscal 2022 and expanded participation to include business division general managers in fiscal 2023. By broadening participation, we will enhance our ability to link activities to business strategy. In addition to members with advanced knowledge of businesses and areas, the committee's various experts provide perspectives that will enable us to deliberate on risks and engage in swift decision-making.

In the past year, we have enhanced efforts to increase the efficacy of internal audits. We established an integrated audit structure to conduct systematic audits through collaboration between the Audit and Supervisory Committee and the Internal Audit Group, and promoted stronger communication between outside directors (non-Audit and Supervisory Committee Members) and the audit organization. Furthermore, we are expanding the scope of audits conducted by the Internal Audit Group to include not only accounting audits and data analysis audits mandated by law but also administrative audits. In fiscal 2023, we have taken steps to identify and provide support for processes related to production efficiency and loss reduction, cost optimization, and human resource allocation that require improvements.

Communication with employees, investors, and other stakeholders is also a critical part of corporate governance. Thus far, we have held earnings briefings for employees and engaged in dialogue with investors in Japan and overseas. I intend to continue these communication efforts with a view to improving corporate value.

Governance

⇒ P92

The Fuji Oil Group's Value Creation

⇒ P20



Technology Crossover and New Value Creation through Co-Creation with Stakeholders

In April 2023, based on the spirit of the Fuji Oil Group Management Philosophy, we revised our Vision: "Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy." Amid the heightened uncertainty influencing our operating environment, we reevaluated how we should contribute to stakeholders, including society, customers, and shareholders, to ensure the Fuji Oil Group can help to resolve issues and achieve sustainable growth. Our renewed vision embodies that strong commitment. Across the world, food cultures continue to diversify, accompanying growing awareness and understanding of such considerations as religious and cultural beliefs and practices, food allergies and intolerance, and environmental impact. These various elements are driving an increasing demand for plant-based foods. One of the social contributions we must strive to make is to provide diverse menu options based on delicious and healthy plant-based foods to expand the food options of our consumers.

Since its founding, the Fuji Oil Group has focused on plant-based ingredients, particularly palm oil and soybeans, and achieved growth by continuing to create products that contribute to resolving the world's social issues. Today, plant-based foods is seen as a novel concept, but this concept is nothing new to the Group. Research into plant-based ingredients based on innovation aimed at resolving social issues is a part of the Fuji Oil Group's DNA.

The Group's four businesses center on: Vegetable Oils and Fats, Industrial Chocolate, Emulsified and Fermented Ingredients, and Soy-Based Ingredients. However, crossovers incorporating the technology of each business is the key to future R&D. Products representing optimal examples of such technology crossover are MIRACORE® and Prime Soy Meat. Moving forward, we will continue to combine oils and fats with protein to create satisfying and delicious plant-based ingredients.

In the previous fiscal year, we launched GOODNOON, our flagship initiative to realize our Vision. Through GOODNOON, we will promote the creation of new markets by engaging in initiatives that transcend conventional thinking to incorporate new technologies, sales methods, product formats, and information transmission. However, this initiative is not one that we can undertake on our own. We are a B2B company. As such, we will advance this initiative based on partner cooperation, particularly as we target downstream players in our value chain. In May 2023, we collaborated with cotta Co., Ltd. to launch a new e-commerce site focused on healthy foods for the body. This new site makes it easy to purchase confections and food ingredients, with a particular focus on plant-based foods. We will continue to step up initiatives for co-creation with partners as we work to achieve our Vision.

The current mid-term management plan represents Phase I of initiatives through to 2030. In Phase I, we will strengthen our business foundation. To promote our growth strategy from Phase II onward, we will focus on strengthening our business portfolio and expanding food options with plant-based ingredients. Since its founding, the Fuji Oil Group has embraced the spirit of not imitating others. At the same time, we must be careful to avoid adopting an attitude of self-righteousness. There is a limit to what we can accomplish alone. To be able to survive and thrive in the coming age, we must cooperate with stakeholders in resolving social issues, share our respective knowledge, and encourage engagement. I am confident that this type of co-creation will lead to new value creation.

"Where there's a will, there's a way."

Through co-creation with our stakeholders, we will continue to embrace the challenge of being a company that creates value for society.

September 2023

Mikio Sakai

Mikio Sakai
President
Chief Executive Officer
FUJI OIL HOLDINGS INC.

New Business Field

⇒ P60